Key Digital Ad Trends and Forecasts for 2022

The discussion will begin at 2pm ET. You can listen to the video using computer speakers or headphones. Please submit any questions you have and we'll do our best to address them during the Q&A session.

PRESENTER

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Insider Intelligence

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MODERATOR

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Principal Analyst
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January 2022

Key Digital Ad Trends and Forecasts for 2022

Paul Verna
Principal Analyst
AGENDA

- Digital Ad Spending
  - Connected TV (CTV)
  - Retail Media
  - Search
  - Social Media
  - Addressable TV
  - Programmatic

- Disruptors

- Takeaways

- Q&A
US Digital Ad Spending, 2019-2025

billions and % change

Digital ad spending

% change

<table>
<thead>
<tr>
<th>Year</th>
<th>Digital Ad Spending</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$132.46</td>
<td>19.3%</td>
</tr>
<tr>
<td>2020</td>
<td>$152.71</td>
<td>15.3%</td>
</tr>
<tr>
<td>2021</td>
<td>$211.20</td>
<td>38.3%</td>
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<tr>
<td>2022</td>
<td>$239.89</td>
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<td>2023</td>
<td>$270.73</td>
<td>12.9%</td>
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<tr>
<td>2024</td>
<td>$293.34</td>
<td>8.4%</td>
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<tr>
<td>2025</td>
<td>$315.32</td>
<td>7.5%</td>
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</tbody>
</table>
How Has the Forecast for Digital Ad Spending in the US Changed? 2019-2024

billions, March 2020 - October 2021

Oct 2021 vs. prepandemic: +$65B

Oct 2021 vs. early pandemic: +$68B

$132.46
$225.66
$228.65
$242.80
$278.53
$293.34
Highlights of Digital Ad Spending Forecasts

- We’ve significantly raised our outlook for digital ad spending
- Two of the biggest drivers behind these increases are CTV and retail media networks
- Lockdowns forced people to stay home, where they ordered merchandise online and binge-watched shows on streaming services
- Search and social network ad spending also surged as a result of consumer behavior changes starting in early 2020
CONNECTED TV
CTV Ad Spending Will Near $35B by 2025

This is more than an order of magnitude higher than when we started tracking it in 2017

- Net ad revenues from Roku, YouTube, and Hulu made up half of CTV ad spending in 2021
- We’ve made four upward revisions in our CTV ad spending forecast since March 2020

![US Connected TV Ad Spending, 2017-2025](chart)

- Connected TV ad spending
- % total digital ad spending

<table>
<thead>
<tr>
<th>Year</th>
<th>Connected TV ad spending</th>
<th>% of total digital ad spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$2.64</td>
<td>4.9%</td>
</tr>
<tr>
<td>2020</td>
<td>$4.36</td>
<td>5.9%</td>
</tr>
<tr>
<td>2019</td>
<td>$6.42</td>
<td>6.8%</td>
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<tr>
<td>2020</td>
<td>$9.03</td>
<td>8.0%</td>
</tr>
<tr>
<td>2021</td>
<td>$14.44</td>
<td>8.9%</td>
</tr>
<tr>
<td>2022</td>
<td>$19.10</td>
<td>10.1%</td>
</tr>
<tr>
<td>2023</td>
<td>$24.20</td>
<td>10.9%</td>
</tr>
<tr>
<td>2024</td>
<td>$29.50</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>$34.49</td>
<td></td>
</tr>
</tbody>
</table>
How Has the Forecast for Connected TV Ad Spending in the US Changed? 2019-2024

billions, March 2020 - October 2021

Oct 2021 vs. prepandemic: +$13B
Oct 2021 vs. early pandemic: +$12B
Combined US Linear and Connected TV Ad Spending, 2017-2025 (billions)

CAGR: 4.2%

2017: $2.64
2018: $4.36
2019: $6.42
2020: $9.03
2021: $14.44
2022: $19.10
2023: $24.20
2024: $29.50
2025: $34.49

Linear TV
Connected TV
Trends in CTV Advertising

- **Roku** and **Vizio** make more money from advertising than from their devices*
- Combined ad revenues for **Samsung**, **LG**, and **Vizio** will reach $6.17 billion in 2026, a 4x jump from $1.37 billion in 2021**
- **YouTube** is adding free channels in search of CTV ad dollars
- **Amazon** is making smart TVs and **Comcast** is partnering with **Hisense** for a line of TVs sold at Walmart
- **Ad-supported video-on-demand (AVOD)** platforms are thriving

Sources: * State of the Screen, The Information; ** NextTV
Digital advertising that appears on websites or apps are primarily engaged in retail ecommerce.

Examples include Amazon, Walmart, eBay, Target, and CVS.

Also includes ads bought through a retailer’s media network, or demand-side platform (DSP).

Examples: Amazon's DSP and Etsy's Offsite Ads.
US Retail Media Ad Spending, 2019-2023
billions and % change

2019: $13.39
2020: $20.52 (53.3%)
2021: $31.49 (53.4%)
2022: $41.37 (31.4%)
2023: $52.21 (26.2%)
Search is the most mature format, and had been the largest … until this year, when social will surpass search for the first time.

Retail media is the third big wave in digital advertising, growing faster than any other format.
Google will make up 74% of search in 2022 (not including YouTube)

Facebook will make up 81% of social

Amazon will make up 77% of retail media

These companies make up the triopoly
Why Are Retail Media Networks Disruptive?

- They reach up and down the purchase funnel
- They draw from linear TV and CTV ad budgets
- Amazon has three CTV ad businesses (so far)
- They provide high-margin revenue streams
US Search Ad Spending, 2019-2025

billions and % change

2019: $55.90, 15.7%
2020: $62.15, 11.2%
2021: $86.43, 39.1%
2022: $97.05, 12.3%
2023: $108.52, 11.8%
2024: $115.29, 6.2%
2025: $122.36, 6.1%
How Has the Forecast for Search Ad Spending in the US Changed? 2019-2024

billions, March 2020 - October 2021

Oct 2021 vs. prepandemic: +$24B

Oct 2021 vs. early pandemic: +$32B
Trends in **Search Advertising**

- **Google**’s search business performed better than expected in 2021 thanks to increased spend from retail and travel.

- In **2020**, search underperformed display because of the large volume of non-monetizable searches early in the pandemic, and because industries like travel pulled back on search spending.

- **Amazon** is growing its search business faster than Google. The retailer will capture **25%** of the US search business in 2023, up from **13%** in 2019.

- **Consumer packaged goods** marketers have been shifting budgets from in-store ads to search. This benefits ecommerce players like Amazon and Walmart.
Trends in Social Network Advertising

- Facebook is by far the largest player, with over 80% of the US market
- Snapchat and Pinterest will erode Facebook’s share, but only slightly
- Over 95% of social network ads happen on mobile devices
- Social video is gaining
  - Facebook is investing more in Watch
  - TikTok lengthened the max running time of video ads and launched a CTV app
  - Pinterest launched Pinterest TV
ADDRESSABLE TV

- Targeted TV ads delivered on a home-by-home basis via cable and satellite boxes
- Includes VOD content accessed through a pay TV login
- Does NOT include CTV or over the top
US Linear Addressable TV Ad Spending, 2019-2023

*billions and % change*

2019: $1.99 billion, 36.5% change
2020: $2.14 billion, 7.4% change
2021: $2.85 billion, 33.1% change
2022: $3.63 billion, 27.4% change
2023: $4.22 billion, 16.2% change
US Linear Addressable TV Ad Spending, 2019-2023

billions and % of TV ad spending

2019: $1.99, 2.8%
2020: $2.14, 3.5%
2021: $2.85, 4.3%
2022: $3.63, 5.4%
2023: $4.22, 6.3%

Linear addressable TV ad spending % TV ad spending
Linear Addressable TV Households and TV Ad Spending

Linear Addressable TV Households
US, 2017-2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Households</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>60.6</td>
<td>-1.6%</td>
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<tr>
<td>2018</td>
<td>64.8</td>
<td>6.8%</td>
</tr>
<tr>
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<td>64.6</td>
<td>-0.4%</td>
</tr>
<tr>
<td>2020</td>
<td>60.5</td>
<td>-6.3%</td>
</tr>
<tr>
<td>2021</td>
<td>57.6</td>
<td>-4.7%</td>
</tr>
</tbody>
</table>

Source: eMarketer, April 2021

TV Ad Spending
US, 2021-2025

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending</th>
<th>% Change</th>
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<tbody>
<tr>
<td>2021</td>
<td>$64.85</td>
<td>5.0%</td>
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<td>2022</td>
<td>$66.80</td>
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<tr>
<td>2023</td>
<td>$66.13</td>
<td>-1.0%</td>
</tr>
<tr>
<td>2024</td>
<td>$66.79</td>
<td>1.0%</td>
</tr>
<tr>
<td>2025</td>
<td>$66.12</td>
<td>-1.0%</td>
</tr>
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Source: eMarketer, October 2021
PROGRAMMATIC
US Programmatic Display Ad Spending, 2019-2023

billions and % change

2019: $61.38, 27.4%
2020: $75.09, 22.3%
2021: $105.99, 41.2%
2022: $123.22, 16.3%
2023: $141.96, 15.2%

% change billions
US Programmatic Display Ad Spending, 2019-2023

billions and % of total digital display ad spending

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US Connected TV Programmatic Video Ad Spending, 2019-2023

billions and % change

- 2019: $3.31, 98.4%
- 2020: $5.47, 65.3%
- 2021: $10.05, 83.7%
- 2022: $14.01, 39.3%
- 2023: $18.68, 33.3%

billions

% change
US Connected TV Programmatic Video Ad Spending, 2019-2023

billions and % connected TV video ad spending

- 2019: $3.31 billion, 52.7%
- 2020: $5.47 billion, 61.9%
- 2021: $10.05 billion, 70.9%
- 2022: $14.01 billion, 74.7%
- 2023: $18.68 billion, 78.7%

+26% growth from 2019 to 2020.
Programmatic Display vs. CTV Programmatic Video

Programmatic Digital Display Ad Spending
US, 2019-2023

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Connected TV Programmatic Video Ad Spending
US, 2019-2023

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<td>2023</td>
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<td>78.7%</td>
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Source: eMarketer, November 2021
Trends in Programmatic

- Over 90% of US digital display dollars will transact programmatically in 2022
- The programmatic share of CTV video is smaller but growing more rapidly
- Some 25% of CTV is still bought through I/Os
  - Inventory quality and fraud risk are big issues for programmatic CTV advertisers
  - Most programmatic CTV is direct or through private marketplaces
DISRUPTORS

- Apple’s privacy changes
- Cookie and mobile ID deprecation
- Measurement challenges
- Regulation
- Supply chain disruptions
- Inflation
- COVID-19 variants
- Public relations crises
Even with caveats, digital advertising is booming
CTV and retail media are the biggest, but not the only, growth drivers
Search is a mature format, but it continues to grow
Social network advertising is resilient and will surpass search for the first time
We won’t see any more increases in traditional TV advertising, but CTV will grow
Expect less forecasting volatility in 2022
The Love Curve
Between 2019-01-01 to 2022-01-10  us USA  Total Pop  B2C Syndicated

BERA SCORE  POSITION  MORE

BERA Score

NEW  DATING  LOVE  BOREDOM  DIVORCE
QUESTIONS?
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- January 24 | How PepsiCo Creates Snackable Insights to Optimize Marketing Outcomes
- January 25 | Improving Retail Conversions: 5 Marketing Metrics to Prioritize This Year
- January 26 | The Power of a Highly Personalized Customer Journey

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